

**Purpose:**

To clarify what property tax is eligible when you figure a property tax credit on an Illinois Individual Income Tax Return

Objectives:

To identify what you may and may not include when you figure a property tax credit

To identify when you are eligible to take a property tax credit

To identify what you may include when you figure a property tax credit if you are buying, building, or selling a house

What is the Illinois Property Tax Credit?

Illinois allows a property tax credit on your individual income tax return equal to 5 percent of Illinois Property Tax you pay on your principal residence.

You may figure your Illinois Property Tax Credit by completing the Homeowner's Property Tax (PT) Worksheet. You will find a copy of this worksheet on the last page of this publication and in the Form IL-1040 Instructions.

What property tax may I include when I figure a property tax credit?

You may include the following when you figure your property tax credit:

- Property tax paid on your principal residence if it is located in Illinois.
- Property tax paid on an adjoining lot to your principal residence, if it is used for residential purposes.
- Prorated property tax that you paid in the year you sold your Illinois residence.
- Illinois village tax that you paid in the tax year.
- Multi-unit property tax that you paid, **only** if your principal residence is one of the units. Include **only** the tax assessed on the unit that is your Illinois residence.

What may not be included when I figure a property tax credit?

You **may not** include the following when you figure your property tax credit:

- Property tax assessed on property that is not your principal residence. For example, you may not claim tax on property that you do not live in or consider your principal residence. Examples would be a vacation home, a vacant lot, rental property, property outside of Illinois, and farm land.
- Interest penalties or fees you paid because your property tax installments were paid late.
- The property tax due that you did not pay in the tax year.
For example, if you did not pay one or both property tax installments on your 2001 taxes in 2002, you may not claim the 2001 taxes that you did not pay on your 2002 Form IL-1040, Individual Income Tax Return.
- Accountant fees or lawyer fees paid in association with your property tax.
- Homeowner's association dues or fees paid.
- Property tax paid on an out-of-state home.

When should I include property tax in my property tax credit?

Generally, you may figure a credit on the property tax you paid on your principal residence for the prior year.

For example, you may use the property tax you paid in 2002 for your 2001 residence to figure your property tax credit on your 2002 IL-1040 filed in 2003.

What if I bought a house?

If you bought a house during the current tax year, you may not use the property tax on that house to figure your credit for that year.

For the period of time that the seller lived in the house, the tax was

prorated and paid by the seller at the time of closing. The tax for the remainder of the year will be assessed to you and paid in the following year.

For example, you may not use the property tax paid on a house you bought in 2002 on your 2002 return. The seller was liable for the tax and will take the property tax credit.

If you bought a house during the previous tax year you **may** use the property tax on that house to figure your credit providing you figure only that portion of your taxes that pertains to the time you owned and lived at the property during the tax year. For example, if you purchased and began living in a house in October 2001, you may use an amount equal to three months of your total 2001 property tax to figure your 2002 property tax credit.

What if I built a house?

If you built a house, you may not figure a property tax credit for tax you paid on the vacant lot or the new house before it became your principal residence.

For example, if you built a house in 2001 but did not move in until early in 2002, you may not include any property tax that you paid when figuring your property tax credit for your 2002 return, filed in 2003.

What if I sell my house?

If you sell your house, you may include

- the prior year's property tax that you paid and
- the current year's prorated tax that you paid at the time of closing when figuring your property tax credit.

For example, if you sold your house during 2002, you may include the 2001 tax and the 2002 prorated tax that you paid at the time of closing when figuring your 2002 property tax credit on your 2002 return, filed in 2003.

However, if the house you are selling is vacant for a period of time before it is

sold, you may not figure credit for the period of time that it was vacant and not your principal residence.

If you moved into your new house in April 2002 but did not sell your other house until January 2003, you may not include the property tax assessed on the old house for the time it was vacant.

May I include back property tax when I figure my property tax credit?

You may not include back property tax on your current year's return if you included it when you figured a credit on a prior year's return.

You may only include back property tax if the tax was paid during the current tax year. However, you may not include interest penalties or fees when figuring this credit.

May I include property tax if I am married and filing a separate return?

If you and your spouse filed separate federal returns, each spouse must file a separate Form IL-1040. Each spouse may claim part of the property tax. The total may not exceed 100 percent of the total property tax paid.

If you filed a joint federal return and you are filing a separate Illinois return because one spouse is a resident and one is a nonresident or part-year resident, the spouse who is filing as an Illinois resident may figure a property tax credit for the tax paid on the principal residence located in Illinois.

May I figure a property tax credit if I live in a mobile home?

If you own a mobile home that is your principal residence and the land on which it is located, you may figure a property tax credit for the property tax you paid on the land during the tax year.

You may not figure a credit for mobile home privilege tax.

May I figure a property tax credit if a portion of my residence is used for business?

If a portion of your principal residence is used for business, you may figure a credit on only the portion of your tax that is not deductible as a business expense on your federal return. You must subtract deductible business expenses, whether or not you actually took the federal deduction, on Line 2 of the Homeowner's Property Tax (PT) Worksheet before you figure your credit.

May I figure a property tax credit if I own farm property?

If you own farm property that includes your principal residence, you may figure a property tax credit on only the portion of the farm property that is used for your principal residence. You must subtract federally deductible business expenses, whether or not you actually took the federal deduction, on Line 2 of the Homeowner's Property Tax (PT) Worksheet before you figure your credit.

If you do not live on the farm property, you may not claim a property tax credit on your Form IL-1040.

May I receive a refund if my property tax credit exceeds the tax I owe?

If your property tax credit exceeds the tax you owe, you may not receive a refund for that amount. Your property tax credit will reduce the tax you owe, but it will not reduce your tax below zero.

Questions?

If you have questions or need more information, please e-mail, call, or write us. Our telephone numbers and address are listed at the end of this publication.

Homeowner's Property Tax (PT) Worksheet



*You must complete this worksheet if you are eligible for the
Illinois Property Tax credit.*

- | | |
|---|----------------|
| 1 Write the total amount of Illinois Property Tax paid for the real estate that includes your principal residence. | 1 _____ |
| 2 Write the portion of your tax bill that is deductible as a business expense on U.S. Schedule C, E, or F or other U.S. income tax forms or schedules, whether or not you actually took the federal deduction. | 2 _____ |
| 3 Subtract Line 2 from Line 1. Write the amount here and on Line 20a of your Form IL-1040. | 3 _____ |
| 4 Multiply Line 3 by 5% (.05). | 4 _____ |
| 5 Write the amount of income tax from your Form IL-1040, Line 16. | 5 _____ |
| 6 Write the amount of credit for tax paid to other states from your Form IL-1040, Line 19. | 6 _____ |
| 7 Subtract Line 6 from Line 5. This is your tax. | 7 _____ |
| 8 Compare the amounts on Line 4 and Line 7. Write the lesser amount here and on your Form IL-1040, Line 20b. This is your Illinois Property Tax credit. | 8 _____ |

Be sure to keep this worksheet and proof of your property tax paid with your income tax records.

**For information
or forms**

Call us at **1 800 732-8866** or **217 782-3336**.

Call our TDD (telecommunications device for the deaf) at **1 800 544-5304**.

Write us at Illinois Department of Revenue, P.O. Box 19044, Springfield, IL 62794-9044.

Visit our Web site at **www.ILtax.com**.

Call "Illinois Tax Fax," our fax-on-demand service, at **217 785-3400**.

Call our 24-hour Forms Order Line at **1 800 356-6302**.



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